

Save More Today and Retire Tomorrow

By Auditor of State Tim Berry

Hello. As the newly elected Auditor of State, it is my privilege and responsibility to serve as the administrator of Hoosier S.T.A.R.T.®, Indiana's Deferred Compensation Plan for all of the state's public employees. While I am new to this position, Hoosier S.T.A.R.T. is nothing new to me, as I have been a participant and member of the Deferred Compensation Committee for the past few years. As state treasurer for the past eight years, my chief responsibility as the investment officer of the state was to maximize investment earnings to help keep taxes down. Prior to my service as state treasurer, I served as treasurer for Allen County. It is my goal to bring my investment experience to the Hoosier S.T.A.R.T. Plan to make sure you are afforded the proper investment tools and opportunities to meet your retirement goals.

Since its inception, the Hoosier S.T.A.R.T. Plan has made great strides to become a valuable investment Plan, providing Hoosiers with an opportunity to supplement retirement benefits with additional savings on a tax-deferred basis. One of my goals as Plan administrator is to work with the Deferred Compensation Committee to continue to grow the Plan, not only through additional investment options, but also through continuing education and participant communications. There are a number of great retirement planning tools already at your service through Great-West Retirement Services® and the Plan Web site. I encourage you to review the Web site at www.hoosierstart.com and sign up to manage your accounts online. Additionally,

workshops are offered every other month in the Indiana Government Center complex, and you have opportunities to schedule meetings with Plan representatives in your area. These training programs will provide you with a number of retirement planning resources and strategies. A detailed list can be found on the main page of the Web site at www.hoosierstart.com. Over the coming year I will look to expand these educational tools and options so you can better understand retirement and how to prepare for it.

Today, it is so important that you understand your overall retirement picture and what you need to do in order to achieve your goals. I believe Hoosier S.T.A.R.T. is an

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important piece of the retirement pie for Indiana's public employees. Hoosiers can no longer simply count on Social Security and a public pension to provide sufficient savings for retirement.

Understanding exactly how your retirement plans benefit your total retirement goals and how they can work together will play a key role in your planning. This will include a better understanding of what you can expect to receive in retirement through all of your options. I look forward to working with you. If you have any questions or if I can be of assistance, please contact me at tberry@auditor.in.gov. Working together, we can take advantage of the opportunity to truly enjoy our retirement years. ■

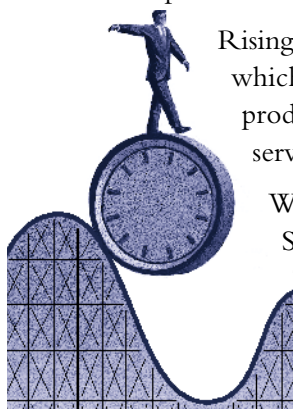
Auditor's Corner

Rolling with the Economy

How the business cycle impacts your bottom line

You can't read the paper without coming across the words "inflation" (rising prices for goods and services) and "interest rates" (the cost of borrowing money). Experts often use them to explain movements in the financial markets. Economic fluctuations can impact the value of your retirement savings. To understand this connection and benefit from it, we need to discuss what economists refer to as "the business cycle."

Think of the business cycle as a wave—something that moves up and down. When the economy grows, the wave goes up. There is more competition for loans, workers and goods and services—pushing up interest rates, prices and wages. With more money circulating in the economy, people are more likely to take out loans. In order to keep this economic movement in check and to prevent inflation, the Federal Reserve Bank (the Fed) will eventually raise interest rates.



Rising interest rates can cause a slowdown in the rate of economic growth—or even a recession, which occurs when the Gross Domestic Product (GDP), the total value of the goods and services produced by our economy, shrinks. As the wave turns down, falling demand for loans, goods and services, and workers may cause interest rates, prices and wages to decline.

When a recession causes interest rates to fall, it becomes less expensive to borrow money.

Subsequent spending ignites economic growth, causing a rise in the GDP before deflation sets in. The economy begins to recover and the business cycle starts to move up once more.

Now that you understand the business cycle, you'll have a better idea of how to plan for the future in light of the present economic news. Remember to prioritize your retirement savings throughout all the phases of the business cycle. ■

Life Stage: Climbing out of Debt

Put your finances back on track

Whether you're paying off student loans, a mortgage or credit card bills, debt could be standing between you and retirement. Perhaps it's time for you to consider consolidating your debt.¹ Shop for credit terms that best meet your particular financial and borrowing needs. Read and carefully examine the terms and conditions of credit agreements.

In Your 20s

If you're a recent college graduate, you may have several student loans to pay off. You may want to consider consolidating them through the Department of Education's Federal Direct Consolidation Loan program. It takes the weighted average of your student loans and rounds it up to the nearest eighth of a percentage point (capping at 8.25%). That rate is fixed for the lifetime of the loan. To learn more, visit [www.loanconsolidation.ed.gov](http://www loanconsolidation.ed.gov).²

You can estimate monthly payments and compare the repayment plans for a Direct Consolidation Loan at www.ed.gov/Directloan.²

In Your 30s

Many Americans in the middle of their careers find themselves saddled with credit card debt—but it is possible to reduce the amount you pay. Credit card companies want your business. Make them work for it! If you have several cards with interest rates above 18%, call each card's customer service center to ask for lower rates. The closer you can get to 12% or less, the better.

Consider taking advantage of low interest rates on credit cards that you come across—whether it's the "limited-time" balance transfer offer of a card you already own or a new one. Rolling over high-interest debt to a card with a lower rate can mean big savings and fewer bills, but be sure to read the fine print first. Many cards may contain balance transfer fees, and the interest rate may rise after the expiration of the limited-time offer or if there is an introductory interest rate offered on the balance transfer. Finally, don't run up the credit cards you just paid off. Cut them up instead.

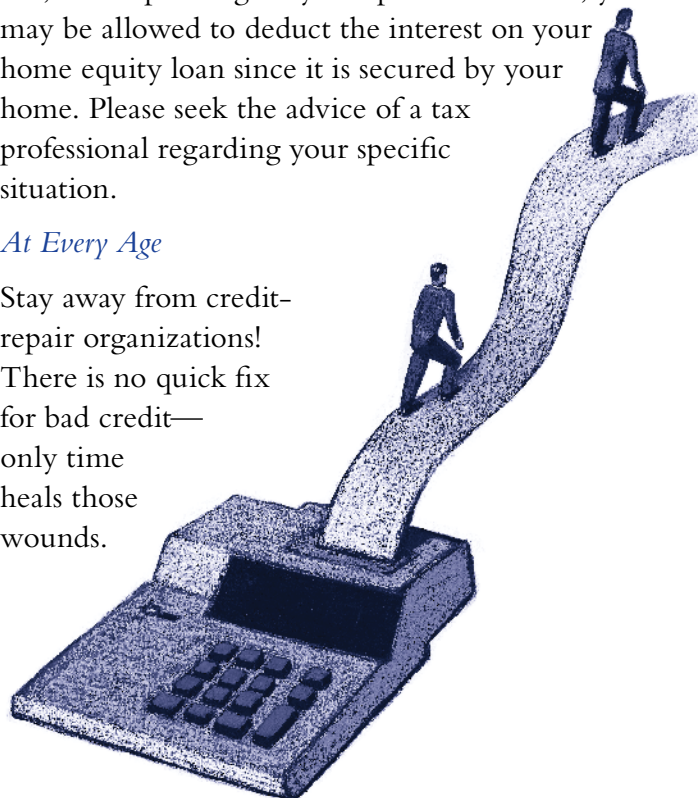
In Your 40s

Middle-aged homeowners may want to consider a home equity loan to help consolidate their debt. Depending on your creditworthiness and the lender

you choose, you may be able to borrow up to 125% of the appraised value of your home (minus the amount you still owe on your mortgage). By consolidating your debt into a home equity loan you'll be left with only one bill to pay each month. Under current tax law, and depending on your specific situation, you may be allowed to deduct the interest on your home equity loan since it is secured by your home. Please seek the advice of a tax professional regarding your specific situation.

At Every Age

Stay away from credit-repair organizations! There is no quick fix for bad credit—only time heals those wounds.



Furthermore, these organizations may charge fees for their services.

Do not borrow against your retirement savings plan at work. If you do, you could be jeopardizing your retirement nest egg, your future and your financial security.

Fine-Tuning

SmartMoney.com² has a debt consolidation calculator at www.smartmoneyuniversity.com to help you crunch numbers. Look for *Debt Management* under the *Personal Finance* tab.² From there, choose one of the debt management worksheets. Punch in the current monthly payment or rate on your loans, and you'll see how consolidation will affect your overall interest rate.

Once you have your finances on track, keep them there. Commit your newly found savings to paying off the principal on your consolidated loans and low interest credit cards. It'll speed up the process—and it's nice to feel like you're actively chipping away at the red column. ■

¹ Representatives of GWFS Equities, Inc. are not registered investment advisers, and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed.

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